

AR31

# 1973 ANNUAL REPORT



BOMAC BATTEN



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# DIRECTORS AND OFFICERS

## **DIRECTORS**

Reginald A. Batten  
George C. Gardiner  
Douglas R. Keedwell, C.A.  
Charles E. McNellen  
Charles H. McNellen  
J. Harold Mitchell  
Douglas R. Steadman  
Robert M. Sutherland, Q.C.

## **OFFICERS**

Charles H. McNellen  
*Chairman of the Board*  
Charles E. McNellen  
*Vice-Chairman of the Board*  
George C. Gardiner  
*President*  
Douglas R. Keedwell, C.A.  
*Vice-President and Secretary*  
William J. Brown  
*Treasurer*  
Ralph W. Porter, C.A.  
*Comptroller*

## **TRANSFER AGENT AND REGISTRAR**

Montreal Trust Company, Toronto

## **AUDITORS**

Deloitte, Haskins & Sells

## **BANKERS**

The Royal Bank of Canada

## **SOLICITORS**

Fasken & Calvin

## **HEAD OFFICE**

224 Richmond Street West, Toronto

# REPORT TO THE SHAREHOLDERS

On behalf of your Board of Directors I am pleased to present the Company's Consolidated Balance Sheet as at December 31, 1973, Consolidated Statements of Earnings, Retained Earnings and Working Capital for the year together with the Auditors' Report to the Shareholders.

During 1973 consolidated sales amounted to \$13,315,538, a decline of \$792,488 or 5.6% from 1972. Sales in our motion picture companies continued to improve while sales of our printing plate divisions reflect the continued reduction in the demand for letterpress plates.

Consolidated earnings from operations after income taxes and before extraordinary items amounted to \$200,573 compared to \$55,348 in 1972.

Earnings per class A share before extraordinary items were 71¢ and per common share 51¢ compared with 23¢ and 3¢ last year. Earnings after extraordinary items were significantly lower than last year on the class A and common shares due principally to the gain on disposal of real estate reported in our 1972 accounts.

Despite the decline in sales, earnings from printing plate operations improved due to the reduced operating expenses upon consolidation of our plants in Toronto and Montreal. Earnings of the motion picture companies compared favourably with earnings of last year.

Dividend payments were made at the annual rate of \$6.00 on the preferred

shares, 60¢ on the class A shares and 40¢ on the common shares.

Capital expenditures totalled \$897,804 included in which was an amount of \$497,291 covering the purchase of the building in which our Herold & Garbe offset division is located and now houses our rubber and box die and industrial products departments. The balance of the capital expenditures covered the purchase of improved technological equipment for the motion picture companies and the offset departments of our printing plate operations. Since both the motion picture companies and the offset departments are serving growing markets, these expenditures were made to increase our capacity and improve our production facilities in order that we may continue to participate in the growth of these markets. The growth of offset printing at the expense of the letterpress printing process was referred to at length in our Report to the Shareholders for 1972.

We, like most companies today, are experiencing increases of substantial nature in our material costs such as film, metals and chemicals along with costs of services plus the continuing increase in wage costs. Since the competitive nature of our business does not always permit the recovery of such increased costs and in order to minimize the impact of these increases the management of the company have redoubled their efforts in the control of costs by reviewing all expenditures on

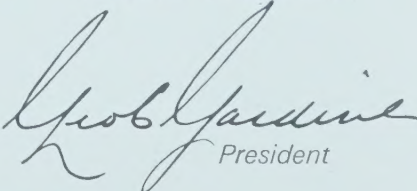
wages, materials or services and reducing them to the minimum commensurate with the efficient operation of our business.

Negotiations are presently being carried on with unions for renewal of three labour contracts which have expired and a fourth contract will be up for renewal in June.

Our industry is historically affected by unsettled economic conditions and the impact of the present uncertainty has been aggravated by the threat of an energy shortage and the inadequate availability of many raw and finished materials. The continual questioning of the role of advertising and the criticism of its content has to a degree affected our market. It is important that the public recognizes that among the many contributions advertising makes to our way of life and living standard is to effectively inform the consumer of the competitive alternatives available and to permit the marketing of products and services at acceptable prices through wider distribution.

We sincerely appreciate the loyalty, cooperation and efficiency of our employees who through their efforts have enabled us to provide high standards of quality and service to our customers throughout the year.

On behalf of the Board,



Herb Gardiner  
President



# FIVE YEAR FINANCIAL SUMMARY

	1973	1972	1971	1970	1969
<b>CURRENT POSITION</b>					
Current assets . . . . .	\$ 3,550,854	\$ 4,218,852	\$ 3,307,831	\$ 2,831,669	\$ 2,656,117
Current liabilities . . . . .	\$ 1,438,096	\$ 2,617,386	\$ 860,928	\$ 955,470	\$ 1,088,178
Working capital . . . . .	\$ 2,112,758	\$ 1,601,465	\$ 2,446,903	\$ 1,876,199	\$ 1,567,938
Current ratio . . . . .	2.4	1.6	3.8	2.9	2.4
<b>PROPERTY, PLANT AND EQUIPMENT</b>					
Investment and improvements in property, plant and equipment . . . . .	\$ 9,124,934	\$ 8,441,160	\$ 5,614,523	\$ 5,373,259	\$ 4,996,306
Accumulated depreciation . . . . .	\$ 5,942,695	\$ 5,783,488	\$ 3,749,958	\$ 3,564,610	\$ 3,356,931
Provision for depreciation . . . . .	\$ 339,671	\$ 308,534	\$ 262,108	\$ 261,507	\$ 214,262
Expenditures . . . . .	\$ 897,804	\$ 369,036	\$ 319,071	\$ 446,051	\$ 177,923
<b>SHAREHOLDERS' EQUITY</b>					
Preferred stock . . . . .	\$ 306,300	\$ 323,000	\$ 323,500	\$ 349,000	\$ 365,500
Class A and common stock . . . . .	\$ 565,313	\$ 565,313	\$ 565,313	\$ 565,313	\$ 565,313
Retained earnings . . . . .	\$ 3,556,792	\$ 3,560,272	\$ 3,525,401	\$ 3,194,493	\$ 2,911,521
Class A and common equity . . . . .	\$ 4,112,105	\$ 4,125,585	\$ 4,090,714	\$ 3,759,806	\$ 3,476,834
Per share . . . . .	\$ 13.48	\$ 13.52	\$ 13.41	\$ 12.32	\$ 11.39
<b>SALES . . . . .</b>					
	\$13,315,538	\$14,108,026	\$10,496,130	\$10,952,010	\$10,293,680
<b>EARNINGS</b>					
Earnings from operations . . . . .	\$ 200,573	\$ 55,348	\$ 415,060	\$ 374,765	\$ 351,021
Per class A share . . . . .	\$ .71	\$ .23	\$ 1.64	\$ 1.50	\$ 1.42
Per common share . . . . .	\$ .51	\$ .03	\$ 1.04	\$ .90	\$ .82
Earnings after extraordinary items . . . . .	\$ 200,341	\$ 348,207	\$ 420,460	\$ 376,252	\$ 673,573
Per preferred share—available . . . . .	\$ 65.40	\$ 107.80	\$ 129.97	\$ 107.80	\$ 184.28
—distributed . . . . .	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
Per class A share . . . . .	\$ .71	\$ 1.19	\$ 1.66	\$ 1.51	\$ 2.48
Per common share . . . . .	\$ .51	\$ .99	\$ 1.06	\$ .91	\$ 1.88

# BOMAC BATTEN LIMITED AND SUBSIDIARY COMPANIES

## Consolidated Balance Sheet as at December 31, 1973

ASSETS	1973	1972
<b>CURRENT</b>		
Cash . . . . .	\$ 294,313	\$ 544,736
Accounts receivable . . . . .	2,503,618	2,849,501
Marketable securities at cost which approximates market value . . . . .	9,750	9,750
Mortgage receivable — current portion . . . . .	8,485	5,979
Income taxes recoverable . . . . .	126,466	170,102
Materials, supplies and work in process at the lower of cost and net realizable value . . . . .	546,064	561,815
Prepaid expenses . . . . .	62,155	76,966
	<b>3,550,854</b>	4,218,852
<b>INVESTMENTS — at cost</b>		
Mortgage due in 1978 . . . . .	361,217	369,020
Cash surrender value of life insurance . . . . .	136,951	125,289
Other investments . . . . .	43,332	43,332
	<b>541,500</b>	537,642
<b>FIXED</b>		
Plants and properties at cost . . . . .	9,124,934	8,441,160
Less accumulated depreciation . . . . .	5,942,695	5,783,488
	<b>3,182,238</b>	2,657,672
	<b>\$7,274,593</b>	\$7,414,166

Approved by the Board:  
 Geo. C. Gardiner, *Director*  
 R. M. Sutherland, *Director*

LIABILITIES AND SHAREHOLDERS' EQUITY	1973	1972
CURRENT		
Bank indebtedness (Note 2) . . . . .	\$ 186,102	\$1,590,582
Accounts payable and accrued . . . . .	982,580	937,140
Dividends payable . . . . .	41,419	41,670
Long-term debt—current portion . . . . .	227,994	47,994
	<b>1,438,096</b>	2,617,386
DEFERRED INCOME TAXES	<b>38,090</b>	40,200
LONG-TERM DEBT (Note 3)	<b>1,370,000</b>	307,994
SHAREHOLDERS' EQUITY (Note 4)		
Share capital		
Authorized		
10,000 6% cumulative redeemable preferred shares with a par value		
of \$100 each and callable at \$104		
200,000 60¢ cumulative participating Class A shares and 200,000		
common shares, both without nominal or par value		
Issued and outstanding		
3,063 preferred shares (1972 — 3,230 shares) . . . . .	306,300	323,000
126,500 Class A shares }		
178,500 common shares } . . . . .	565,313	565,313
	<b>871,613</b>	888,313
Retained earnings . . . . .	<b>3,556,792</b>	3,560,272
	<b>4,428,406</b>	4,448,585
	<b>\$7,274,593</b>	\$7,414,166

See notes to consolidated financial statements.



# BOMAC BATTEN LIMITED AND SUBSIDIARY COMPANIES

## Consolidated Statement of Retained Earnings for the year ended December 31, 1973

	1973	1972
Balance, beginning of year . . . . .	<b>\$3,560,272</b>	\$3,525,401
Add		
Earnings for the year . . . . .	<b>200,341</b>	348,207
Discount on purchase of preferred shares . . . . .	<b>4,015</b>	137
	<b>3,764,628</b>	3,873,746
Deduct		
Dividends on preferred shares (\$6.00 per share) . . . . .	<b>19,129</b>	19,380
Dividends on Class A shares (60¢ per share) . . . . .	<b>75,900</b>	75,900
Dividends on common shares (40¢ per share) . . . . .	<b>71,400</b>	71,400
Tax of 15% on 1971 undistributed income of subsidiary . . . . .	<b>12,246</b>	34,651
Goodwill on acquisition of subsidiary (Note 5) . . . . .	<b>29,160</b>	112,143
	<b>207,835</b>	313,474
Balance, end of year . . . . .	<b>\$3,556,792</b>	\$3,560,272

## Consolidated Statement of Earnings for the year ended December 31, 1973

	1973	1972
Sales . . . . .	<b>\$13,315,538</b>	\$14,108,026
Earnings from operations before taking into account the following items . . . . .	<b>\$ 832,303</b>	\$ 468,954
Deduct		
Depreciation . . . . .	<b>339,671</b>	308,534
Interest including long-term debt interest \$69,585 (1972—\$22,995) . . . . .	<b>161,114</b>	105,629
	<b>500,785</b>	414,163
	<b>331,518</b>	54,791
Add		
Investment and other income . . . . .	<b>38,396</b>	71,096
Earnings from operations before income taxes . . . . .	<b>369,914</b>	125,888
Income taxes . . . . .	<b>169,340</b>	70,540
Earnings from operations . . . . .	<b>200,573</b>	55,348
Extraordinary items (Note 6) . . . . .	<b>(231)</b>	292,859
Earnings for the year (Note 7) . . . . .	<b>\$ 200,341</b>	\$ 348,207

See notes to consolidated financial statements.



# Consolidated Statement of Working Capital for the year ended December 31, 1973

	1973	1972
<b>SOURCE OF WORKING CAPITAL</b>		
Earnings from operations . . . . .	\$ 200,573	\$ 55,348
Depreciation . . . . .	339,671	308,534
Deferred income taxes . . . . .	(2,110)	5,700
From operations . . . . .	538,134	369,582
Gain on disposal of real estate . . . . .	4,207	271,309
Expropriation claims . . . . .	39,846	—
Term bank loan . . . . .	1,200,000	—
Mortgage payable . . . . .	150,000	—
Realized gain on life insurance . . . . .	—	56,487
	<b>1,932,187</b>	<b>697,380</b>
<b>APPLICATION OF WORKING CAPITAL</b>		
Acquisition of Bomac Graphics Limited less working capital acquired (Note 5) . . . . .	29,160	693,134
Increase in plants and properties . . . . .	864,237	225,961
Increase in investments . . . . .	3,858	339,196
Dividends . . . . .	166,429	166,680
Purchase of preferred shares . . . . .	12,684	363
Decrease in long-term debt . . . . .	287,994	47,895
Cost of relocating equipment . . . . .	44,285	24,234
Tax of 15% on 1971 undistributed income of subsidiary . . . . .	12,246	34,651
Loss on disposal of long-term investments . . . . .	—	10,703
	<b>1,420,893</b>	<b>1,542,819</b>
Net increase (decrease) in working capital for the year . . . . .	<b>511,294</b>	<b>(845,438)</b>
Working capital beginning of year . . . . .	<b>1,601,465</b>	<b>2,446,903</b>
Working capital end of year . . . . .	<b>\$2,112,758</b>	<b>\$1,601,465</b>

See notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1973

1. The financial statements consolidate the accounts of the Company and its subsidiaries Filmpro Limited, Rabko Television Productions Co Limited, Medallion Film Laboratories Limited, Arco Advertisers Revisions Limited, Fairbairn Studio Limited, Bomac Graphics Limited and Bomac Montreal Limited, all of which are wholly-owned.

2. Bank borrowings are secured by assignment of accounts receivable and the shares of a subsidiary company.

3. Long-term debt:	<u>1973</u>	<u>1972</u>
Non-interest-bearing notes, due in 1974 . . . . .	\$ 12,994	\$ 25,988
6½% mortgage payable in semi-annual instalments of \$5,000 with balance due in 1975 . . . . .	95,000	105,000
6½% mortgage payable in quarterly instalments of \$6,250 with balance due in 1981 . . . . .	200,000	225,000
Term bank loan bearing interest at 1½% above the bank's prime rate payable in monthly instalments of \$15,000 in 1974 and \$20,000 commencing in 1975 until maturity in 1978 . . . . .	1,140,000	—
8¼% mortgage due in 1983 . . . . .	150,000	—
	<u>1,597,994</u>	<u>355,988</u>
Less current portion . . . . .	227,994	47,994
	<u>\$1,370,000</u>	<u>\$ 307,994</u>

Payments required on long-term debt over the next five years total \$1,372,994 payable as follows:  
1974—\$227,994; 1975—\$350,000; 1976—\$265,000; 1977—\$265,000; 1978—\$265,000.

4. The Company has purchased 937 preferred shares for cancellation in accordance with the terms of issue including 167 shares purchased during the year. As a result of such purchases retained earnings in the amount of \$93,700 equivalent to the par value of the shares cancelled are not available for distribution.

5. During the year income tax assessments were received by a subsidiary requiring payment of taxes relating to years prior to its acquisition. The amount of income taxes payable has been recorded as an adjustment to the goodwill on acquisition of such subsidiary.

6. Extraordinary items are as follows:	<u>1973</u>	<u>1972</u>
Gain on disposal of real estate . . . . .	\$ 4,207	\$ 271,309
Cost of relocating equipment less income taxes of \$36,200 (1972—\$27,700) . . . . .	(44,285)	(24,234)
Expropriation claims . . . . .	39,846	—
Realized gain on life insurance . . . . .	—	56,487
Net loss on disposal of long-term investments . . . . .	—	(10,703)
	<u>\$ (231)</u>	<u>\$ 292,859</u>

7. Comparative earnings per share are:

	Earnings Before Extraordinary Items		Earnings for Year	
	1973	1972	1973	1972
Earnings per class A share . . . . .	\$ .71	\$ .23	\$ .71	\$1.19
Earnings per common share . . . . .	\$ .51	\$ .03	\$ .51	\$ .99

NOTE:

It is the policy of the Company to calculate earnings per class A and common share, after giving effect to the cumulative preferred dividend entitlement, on the following basis:

- (a) An amount equal to the class A dividend entitlement for the period is allocated to the class A shares.
- (b) An amount equal to the dividend paid on the common shares, to a limit of the class A dividend entitlement for the period, is allocated to the common shares.
- (c) The remaining earnings (or the resultant deficiency in the event that the foregoing entitlements exceed the earnings for the period) are allocated on a share for share basis between the class A and common shares.

8. Information re directors and officers:

- (a) During the year the Company had eight directors whose aggregate remuneration as directors amounted to \$1,000 (1972—\$3,900 including payment of \$2,500 to a director for corporate consulting services).
- (b) During the year the Company had six officers and two past officers whose aggregate remuneration as officers amounted to \$259,334 (1972—\$210,069) of which \$198,094 was paid by the Company and \$61,240 by subsidiaries.
- (c) During the year four officers and a past officer were also directors and a past officer was a former director.

9. The Company has guaranteed the loan of an associated company to the extent of \$102,000 and has pledged life insurance policies valued at \$20,966 as security.

## AUDITORS' REPORT

To the Shareholders of

BOMAC BATTEN LIMITED:

We have examined the consolidated balance sheet of Bomac Batten Limited and subsidiary companies as at December 31, 1973 and the consolidated statements of earnings, retained earnings and working capital for the year then ended. Our examination of the financial statements of Bomac Batten Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973, and the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario  
March 1, 1974.

**DELOITTE, HASKINS & SELLS**  
Chartered Accountants





TORONTO MONTREAL OTTAWA LONDON WINNIPEG HALIFAX

AR31

**BOMAC BATJEN**  
LIMITED

interim report



# CONSOLIDATED STATEMENT OF WORKING CAPITAL

(Unaudited)

	Six Months Ended	
	June 30 1973	June 30 1972
<b>SOURCE OF WORKING CAPITAL</b>		
Earnings (loss) from operations	\$ 72,560	\$ (70,018)
Depreciation	164,056	171,683
From operations	236,616	101,665
Decrease (increase) in investments	7,405	(5,323)
Mortgage payable	150,000	—
	\$ 394,021	\$ 96,342

<b>APPLICATION OF WORKING CAPITAL</b>		
Increase in plants and properties	637,040	84,765
Decrease in long term debt	17,500	17,401
Dividends declared — preferred	9,690	9,690
— class A	37,950	37,950
— common	35,700	35,700
Adjustment of prior year's income taxes	29,160	—
Acquisition of Bomac Graphics Limited	—	693,134
Purchase of preferred shares	—	362
	\$ 767,040	\$ 879,002
Net decrease in working capital for the period	373,019	782,660
Working capital beginning of period	1,601,465	2,446,903
Working capital end of period	\$1,228,446	\$ 1,664,243

August 24th, 1973

To the Shareholders:

Earnings from operations for the first six months of 1973 reflect an improvement over the same period last year and this trend is expected to continue for the remainder of the year.

The increase in plants and properties includes the purchase of the building in which one of our offset divisions had previously leased space. This acquisition provides protection for a substantial installation and leasehold improvement investment, together with space for increased capacity in order that we may continue to increase our participation in the expanding offset industry. The decline of 9% in consolidated sales occurred in the printing plate operations. This decline, mainly due to the merging of Bomac Graphics Limited with Rapid Grip and Batten, Limited, was somewhat less than anticipated. Despite the reduced sales, improved earnings from these operations contributed significantly to the increase in earnings of the Company.

The following is an unaudited comparative summary of operations for the six months periods:

	Six Months Ended	
	June 30 1973	June 30 1972
Sales	\$6,291,957	\$ 6,941,146
Earnings (loss) before income taxes	\$ 114,310	\$ (138,600)
Income taxes (recovery)	48,700	( 68,582)
Expropriation claim	65,610	( 70,018)
Earnings (loss) for the period	\$ 72,560	\$ (70,018)

Earnings (loss) per share

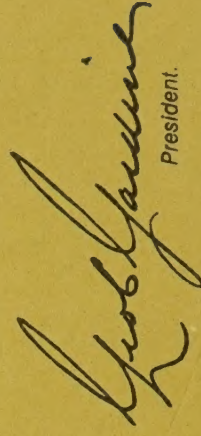
(see note)		
Class A	26¢	(20¢)
Common	16¢	(30¢)

Note:

It is the policy of the Company to calculate earnings per class A and common share, after giving effect to the cumulative preferred dividend entitlement, on the following basis:

- (a) An amount equal to the class A cumulative dividend entitlement for the period is allocated to the class A shares.
- (b) An amount equal to the dividends paid on the common shares to a limit of the class A dividend entitlement for the period, is allocated to the common shares.
- (c) The remaining earnings (or the resultant deficiency in the event that the foregoing entitlements exceed the earnings for the period) are allocated on a share for share basis between the class A and common shares.

The loss per share for the period ending June 30, 1972 has been restated to conform with this policy.

  
President.